

103D CONGRESS  
1ST SESSION

# S. 1105

To amend the Internal Revenue Code of 1986 to provide for the establishment of individual medical savings accounts to assist in the payment of medical and long-term care expenses, to provide that the earnings on such accounts will not be taxable, to allow rollovers of such accounts into individual retirement accounts, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 15, 1993

Mr. COATS (for himself, Mr. LUGAR, and Mr. GRAMM) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the establishment of individual medical savings accounts to assist in the payment of medical and long-term care expenses, to provide that the earnings on such accounts will not be taxable, to allow rollovers of such accounts into individual retirement accounts, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. INDIVIDUAL MEDICAL SAVINGS ACCOUNTS.**

4       (a) IN GENERAL.—Subchapter F of chapter 1 of the  
5       Internal Revenue Code of 1986 (relating to exempt organi-

1 zations) is amended by adding at the end thereof the fol-  
 2 lowing new part:

3 **“PART VIII—INDIVIDUAL MEDICAL SAVINGS**  
 4 **ACCOUNTS**

“Sec. 529. Taxation of individual medical savings accounts.

5 **“SEC. 529. TAXATION OF INDIVIDUAL MEDICAL SAVINGS**  
 6 **ACCOUNTS.**

7 “(a) EXEMPTION FROM TAXATION.—

8 “(1) IN GENERAL.—Except as provided in para-  
 9 graph (2), an individual medical savings account is  
 10 exempt from taxation under this subtitle.

11 “(2) UNRELATED BUSINESS INCOME.—An indi-  
 12 vidual medical savings account shall be subject to  
 13 the tax imposed by section 511 (relating to imposi-  
 14 tion of tax on unrelated business income of chari-  
 15 table, etc. organizations).

16 “(b) DEFINITION OF INDIVIDUAL MEDICAL SAVINGS  
 17 ACCOUNT.—

18 “(1) IN GENERAL.—For purposes of this sec-  
 19 tion, the term ‘individual medical savings account’  
 20 means a trust created or organized in the United  
 21 States exclusively for the purpose of making quali-  
 22 fied distributions to, or for the benefit of, an individ-  
 23 ual, but only if the written governing instrument  
 24 creating the trust meets the following requirements:

1           “(A) No contribution will be accepted un-  
2           less—

3                   “(i) the employer of such individual  
4                   provides written confirmation that such  
5                   employer is maintaining a catastrophic  
6                   health care insurance plan for such  
7                   individual,

8                   “(ii) upon the election of such individ-  
9                   ual to enroll in such plan, such contribu-  
10                  tion from such employer is equal to the  
11                  qualified premium differential amount re-  
12                  lating to such plan,

13                  “(iii) except in the case of contribu-  
14                  tions from another individual medical sav-  
15                  ings account or qualified surrender  
16                  amounts, the total amount of contributions  
17                  for the taxable year from all individuals  
18                  specified in subparagraph (F) is not great-  
19                  er than an amount equal to the sum of—

20                           “(I) \$3,000, plus

21                           “(II) \$600 for each dependent  
22                           (as defined in section 152) of the indi-  
23                           vidual, and

24                           “(iv) such contribution is in cash,  
25                           stocks, bonds, or other securities which are

1 readily tradable on an established securi-  
2 ties market.

3 “(B) The trustee is a bank (as defined in  
4 section 408(n)) or another person who dem-  
5 onstrates to the satisfaction of the Secretary  
6 that the manner in which that person will ad-  
7 minister the trust will be consistent with the re-  
8 quirements of this section.

9 “(C) No part of the trust assets will be in-  
10 vested in life insurance contracts.

11 “(D) The assets of the account may only  
12 be invested in accordance with the direction  
13 of—

14 “(i) the individual for whose benefit  
15 the account is established (or the legal rep-  
16 resentative of such individual), and

17 “(ii) all individuals contributing to the  
18 account.

19 “(E) The assets of the trust will not be  
20 commingled with other property except in a  
21 common trust fund or common investment  
22 fund.

23 “(F) Contributions may be made to the ac-  
24 count only by the individual for whose benefit  
25 the account is established, the individual’s

1 spouse, the individual's parents or children, and  
2 the individual's employer (under rules similar to  
3 the requirements described in paragraphs (2),  
4 (3), and (5) of section 408(k)).

5 “(G) The account may not be established  
6 for the benefit of more than 1 individual (other  
7 than the spouse and dependents of such individ-  
8 ual).

9 “(H) The beneficiary of the account may  
10 not be the beneficiary of any other individual  
11 medical savings account (other than as a spouse  
12 or dependent of the beneficiary of such other  
13 account).

14 “(2) STOCK, ETC., TO BE VALUED AS OF  
15 TRANSFER DATE.—The fair market value of stocks,  
16 bonds, and other securities shall be determined as of  
17 the date on which transferred to the account. If the  
18 date of transfer falls on a Saturday, Sunday, or pub-  
19 lic legal holiday, then the fair market value shall be  
20 determined by reference to the last preceding trad-  
21 ing day on which such stocks, bonds, or securities  
22 could have been traded on an established securities  
23 market.

24 “(3) CATASTROPHIC HEALTH CARE INSURANCE  
25 PLAN.—

1           “(A) IN GENERAL.—For purposes of para-  
2 graph (1), the term ‘catastrophic health care in-  
3 surance plan’ means a group health plan which  
4 provides, for a higher deductible (not less than  
5 \$2,000), similar benefits to—

6                   “(i) other group health plans offered  
7 by the employer,

8                   “(ii) other group health plans pre-  
9 viously offered by the employer, in the case  
10 in which a single group health plan is of-  
11 fered by the employer, or

12                   “(iii) other group health plans for  
13 similar employees in the same geographic  
14 area, in the case in which the employer has  
15 not previously offered any group health  
16 plan.

17           “(B) GROUP HEALTH PLAN.—For pur-  
18 poses of subparagraph (A), the term ‘group  
19 health plan’ has the meaning given such term  
20 by section 5000(b)(1).

21           “(4) QUALIFIED PREMIUM DIFFERENTIAL  
22 AMOUNT.—For purposes of paragraph (1), the quali-  
23 fied premium differential amount for an employee is  
24 equal to—

1           “(A) the premium differential amount real-  
2           ized by the employer in the plan year in which  
3           the employee elects coverage under a cata-  
4           strophic health care insurance plan, and

5           “(B) for each subsequent plan year during  
6           which such election remains in effect, the  
7           amount determined under subparagraph (A) in-  
8           creased by an amount equal to—

9                   “(i) such dollar amount, multiplied by

10                   “(ii) the cost-of-living adjustment de-  
11                   termined under section 1(f)(3) for the cal-  
12                   endar year in which the plan year begins,  
13                   by substituting ‘the calendar year preced-  
14                   ing the calendar year in which the plan  
15                   year described in section 529(b)(4)(A)  
16                   began’ for ‘calendar year 1989’.

17           “(5) DETERMINATION OF PREMIUM DIFFEREN-  
18           TIAL.—For purposes of this subsection, in making a  
19           determination of a premium differential for any  
20           year, the employer shall use only actual premiums  
21           charged to such employer, or, in the case of group  
22           health plans described in clauses (ii) and (iii) of  
23           paragraph (3)(A), bona fide premium quotes for  
24           such year.

1           “(6) INFLATION ADJUSTMENT.—In the case of  
 2           any taxable year beginning in a calendar year after  
 3           1994, each dollar amount contained in paragraph  
 4           (1)(A)(iii) shall be increased by an amount equal  
 5           to—

6                       “(A) such dollar amount, multiplied by

7                       “(B) the cost-of-living adjustment deter-  
 8                       mined under section 1(f)(3) for the calendar  
 9                       year in which the taxable year begins, by sub-  
 10                      stituting ‘calendar year 1993’ for ‘calendar year  
 11                      1989’ in subparagraph (B) thereof.

12           If any increase determined under the preceding sen-  
 13           tence is not a multiple of \$10, such increase shall  
 14           be rounded to the nearest multiple of \$10 (or if such  
 15           increase is a multiple of \$5, such increase shall be  
 16           rounded to the next highest multiple of \$10).

17           “(c) OTHER DEFINITIONS.—For purposes of this  
 18           section—

19                       “(1) QUALIFIED DISTRIBUTIONS.—The term  
 20                       ‘qualified distributions’ means any—

21                       “(A) qualified medical expense distribu-  
 22                       tion, and

23                       “(B) qualified long-term care expense dis-  
 24                       tribution.



1           “(2) QUALIFIED MEDICAL EXPENSE DISTRIBUTION.—The term ‘qualified medical expense distribution’ means any distribution made to the individual  
2           (other than distributions described in paragraph (3))  
3           to the extent such distribution does not exceed the  
4           amount allowable as a deduction under section 213  
5           to the individual for amounts paid during the tax-  
6           able year for medical care (determined without re-  
7           gard to whether the individual itemizes deductions  
8           for such taxable year).  
9           for such taxable year).

10           “(3) QUALIFIED LONG-TERM CARE EXPENSE  
11           DISTRIBUTION.—

12           “(A) IN GENERAL.—The term ‘qualified  
13           long-term care expense distribution’ means any  
14           distribution made to the individual (other than  
15           distributions described in paragraph (2)) to the  
16           extent such distribution does not exceed the  
17           amount of qualified long-term care expenses of  
18           the individual, or the spouse or child (as de-  
19           fined in section 151(c)(3)) of such individual,  
20           for the taxable year.  
21           for the taxable year.

22           “(B) QUALIFIED LONG-TERM CARE EX-  
23           PENSES.—For purposes of subparagraph (A),  
24           the term ‘qualified long-term care expenses’  
25           means amounts paid or incurred for—

1 “(i) qualified long-term care insur-  
2 ance, and

3 “(ii) qualified long-term care.

4 “(C) QUALIFIED LONG-TERM CARE INSUR-  
5 ANCE.—For purposes of subparagraph (B)(i)—

6 “(i) IN GENERAL.—Subject to clauses  
7 (ii) and (iii), the term ‘qualified long-term  
8 care insurance’ means insurance under a  
9 policy or rider issued by a qualified issuer  
10 to be advertised, marketed, offered, or de-  
11 signed to provide coverage—

12 “(I) for not less than 12 consecu-  
13 tive months for each covered person,

14 “(II) on an expense incurred, in-  
15 demnity, or prepaid basis,

16 “(III) for 1 or more medically  
17 necessary diagnostic services, preven-  
18 tive services, therapeutic services, re-  
19 habilitation services, maintenance  
20 services, or personal care services, and

21 “(IV) provided in a setting other  
22 than an acute care unit of a hospital.

23 “(ii) COVERAGE SPECIFICALLY EX-  
24 CLUDED.—Such term does not include any  
25 insurance under any policy or rider which

1 is offered primarily to provide any com-  
2 bination of the following kinds of coverage:

3 “(I) Basic Medicare supplement  
4 coverage.

5 “(II) Basic hospital-based acute  
6 care expense coverage.

7 “(III) Basic medical-surgical ex-  
8 pense coverage.

9 “(IV) Hospital confinement in-  
10 demnity coverage.

11 “(V) Major medical expense cov-  
12 erage.

13 “(VI) Disability income protec-  
14 tion coverage.

15 “(VII) Accident only coverage.

16 “(VIII) Specified disease cov-  
17 erage.

18 “(IX) Specified accident cov-  
19 erage.

20 “(X) Limited benefit health cov-  
21 erage.

22 “(iii) QUALIFIED ISSUER.—For pur-  
23 poses of clause (i), the term ‘qualified is-  
24 suer’ means any of the following:

25 “(I) Private insurance company.

1 “(II) Fraternal benefit society.

2 “(III) Nonprofit health corpora-  
3 tion.

4 “(IV) Nonprofit hospital corpora-  
5 tion.

6 “(V) Nonprofit medical service  
7 corporation.

8 “(VI) Prepaid health plan.

9 “(D) QUALIFIED LONG-TERM CARE.—The  
10 term ‘qualified long-term care’ means services  
11 described in subparagraph (C)(i)(III) which  
12 may be covered under qualified long-term care  
13 insurance.

14 “(4) QUALIFIED SURRENDER AMOUNTS.—The  
15 term ‘qualified surrender amounts’ means amounts  
16 received on the whole or partial surrender, cancella-  
17 tion, or exchange of any life insurance contract to  
18 the extent that, within 60 days of the receipt of such  
19 amounts, such amounts are transferred to an indi-  
20 vidual medical savings account.

21 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

22 “(1) IN GENERAL.—Except as otherwise pro-  
23 vided in this subsection, any amount paid or distrib-  
24 uted out of an individual medical savings account

1 shall be included in the gross income of the individ-  
2 ual for whose benefit the account was established.

3 “(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to any quali-  
4 fied distribution.  
5

6 “(3) ROLLOVERS.—Paragraph (1) shall not  
7 apply to any portion of any payment or distribution  
8 which, within 60 days of receipt of such payment or  
9 distribution, is paid into an individual medical sav-  
10 ings account or an individual retirement account for  
11 the benefit of the individual for whom the account  
12 from which such portion is transferred was main-  
13 tained.

14 “(4) EXCESS CONTRIBUTIONS RETURNED BE-  
15 FORE DUE DATE OF RETURN.—Paragraph (1) shall  
16 not apply to the distribution of any contribution paid  
17 during a taxable year to an individual medical sav-  
18 ings account to the extent that such contribution ex-  
19 ceeds the amount allowable under subsection  
20 (b)(1)(A) if—

21 “(A) such distribution is received on or be-  
22 fore the day prescribed by law (including exten-  
23 sions of time) for filing such individual’s return  
24 for such taxable year, and

1           “(B) such distribution is accompanied by  
2           the amount of net income attributable to such  
3           excess contribution.

4           Any net income described in subparagraph (B) shall  
5           be included in the gross income of the individual for  
6           the taxable year in which it is received.

7           “(e) TAX TREATMENT OF ACCOUNTS.—

8           “(1) CESSATION OF TREATMENT AS AC-  
9           COUNT.—

10           “(A) IN GENERAL.—If during any taxable  
11           year of an individual who contributes to an in-  
12           dividual medical savings account—

13                   “(i) the requirements of subsection  
14                   (b)(1) are not met, or

15                   “(ii) such individual engages in any  
16                   transaction prohibited by section 4975  
17                   with respect to the account,

18           the account shall cease to be an individual med-  
19           ical savings account as of the first day of that  
20           taxable year.

21           “(B) ACCOUNT TREATED AS DISTRIBUTING  
22           ALL ITS ASSETS.—In any case in which any ac-  
23           count ceases to be an individual medical savings  
24           account by reason of subparagraph (A) on the  
25           first day of any taxable year, paragraph (1) of

1 subsection (d) shall apply as if there were a dis-  
2 tribution on such first day in an amount equal  
3 to the fair market value (on such first day) of  
4 all assets in the account (on such first day).

5 “(2) EFFECT OF PLEDGING ACCOUNT AS SECUR-  
6 RITY.—If, during any taxable year, the individual for  
7 whose benefit an individual medical savings account  
8 is established uses the account or any portion there-  
9 of as security for a loan, the portion so used shall  
10 be treated as distributed to that individual.

11 “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-  
12 CLUDED IN GROSS INCOME.—

13 “(1) DISTRIBUTION NOT A QUALIFIED DIS-  
14 TRIBUTION.—If a distribution—

15 “(A) is made from an individual medical  
16 savings account, and

17 “(B) is not a qualified distribution,  
18 the tax liability (for the taxable year in which such  
19 distribution is received) of such individual shall be  
20 increased by an amount equal to 20 percent of the  
21 amount of the distribution which is includible in the  
22 gross income of such individual for such taxable  
23 year.

24 “(2) DISQUALIFICATION CASES.—If an amount  
25 is includible in the gross income of an individual for

1 a taxable year under subsection (e), the tax liability  
2 of such individual under this chapter for such tax-  
3 able year shall be increased by an amount equal to  
4 20 percent of such amount required to be included  
5 in gross income.

6 “(3) DISABILITY OR DEATH CASES.—Para-  
7 graphs (1) and (2) shall not apply if the payment  
8 or distribution is made after the individual for whose  
9 benefit the individual medical savings account be-  
10 comes disabled within the meaning of section  
11 72(m)(7) or dies.

12 “(g) COMMUNITY PROPERTY LAWS.—This section  
13 shall be applied without regard to any community property  
14 laws.

15 “(h) CUSTODIAL ACCOUNTS.—For purposes of this  
16 section, a custodial account shall be treated as a trust if  
17 the assets of such account are held by a bank (as defined  
18 in section 408(n)) or another person who demonstrates,  
19 to the satisfaction of the Secretary, that—

20 “(1) the manner in which he will administer the  
21 account will be consistent with the requirements of  
22 this section, and

23 “(2) the custodial account would, except for the  
24 fact that it is not a trust, constitute an individual  
25 medical savings account described in subsection (b).



1 For purposes of this title, in the case of a custodial ac-  
 2 count treated as a trust by reason of the preceding sen-  
 3 tence, the custodian of such account shall be treated as  
 4 the trustee thereof.

5 “(i) REPORTS.—The trustee of an individual medical  
 6 savings account shall make such reports regarding such  
 7 account to the Secretary and to the individual for whose  
 8 benefit the account is maintained with respect to contribu-  
 9 tions, distributions, and such other matters as the Sec-  
 10 retary may require under regulations. The reports re-  
 11 quired by this subsection shall be filed at such time and  
 12 in such manner and furnished to such individuals at such  
 13 time and in such manner as may be required by those reg-  
 14 ulations.”.

15 (b) TAX ON EXCESS CONTRIBUTIONS.—Section 4973  
 16 of such Code (relating to tax on excess contributions to  
 17 individual retirement accounts, certain section 403(b) con-  
 18 tracts, and certain individual retirement annuities) is  
 19 amended—

20 (1) by inserting “**INDIVIDUAL MEDICAL SAV-**  
 21 **INGS ACCOUNTS,**” after “**ACCOUNTS,**” in the  
 22 heading of such section,

23 (2) by redesignating paragraph (2) of sub-  
 24 section (a) as paragraph (3) and by inserting after  
 25 paragraph (1) the following:

1           “(2) an individual medical savings account  
2           (within the meaning of section 529(b)), or”,

3           (3) by striking out “or” at the end of para-  
4           graph (1) of subsection (a), and

5           (4) by adding at the end thereof the following  
6           new subsection:

7           “(d) EXCESS CONTRIBUTIONS TO INDIVIDUAL MEDI-  
8           CAL SAVINGS ACCOUNTS.—For purposes of this section,  
9           in the case of an individual medical savings account, the  
10          term ‘excess contributions’ means the amount by which  
11          the amount contributed for the taxable year to the account  
12          exceeds the amount allowable under section 529(b)(1)(A)  
13          for such taxable year. For purposes of this subsection, any  
14          contribution which is distributed out of the individual  
15          medical savings account in a distribution to which section  
16          529(d)(4) applies shall be treated as an amount not con-  
17          tributed.”.

18          (d) CONTRIBUTION NOT TO BE TREATED AS A GIFT  
19          FOR GIFT TAX PURPOSES.—Section 2503 of such Code  
20          (relating to taxable gifts) is amended by adding at the end  
21          thereof the following new subsection:

22          “(h) INDIVIDUAL MEDICAL SAVINGS ACCOUNTS.—  
23          For purposes of subsection (b), any payment made by an  
24          individual to an individual medical savings account de-  
25          scribed in section 529(b) shall not be considered a gift

1 of a future interest in property to the extent that such  
2 payment is allowed under section 529.”.

3 (e) TAX ON PROHIBITED TRANSACTIONS.—Section  
4 4975 of such Code (relating to prohibited transactions)  
5 is amended—

6 (1) by adding at the end of subsection (c) the  
7 following new paragraph:

8 “(4) SPECIAL RULE FOR INDIVIDUAL MEDICAL  
9 SAVINGS ACCOUNTS.—An individual for whose bene-  
10 fit an individual medical savings account is estab-  
11 lished shall be exempt from the tax imposed by this  
12 section with respect to any transaction concerning  
13 such account (which would otherwise be taxable  
14 under this section) if, with respect to such trans-  
15 action, the account ceases to be an individual medi-  
16 cal savings account by reason of the application of  
17 section 529(e)(1)(A) to such account.”, and

18 (2) by inserting “, or an individual medical sav-  
19 ings account described in section 529(b)” in sub-  
20 section (e)(1) after “described in section 408(a)”.

21 (f) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL  
22 MEDICAL SAVINGS ACCOUNTS.—Section 6693 of such  
23 Code (relating to failure to provide reports on individual  
24 retirement account or annuities) is amended—

1 (1) by inserting “**OR AN INDIVIDUAL MEDI-**  
 2 **CAL SAVINGS ACCOUNT**” after “**ANNUITIES**” in  
 3 the heading of such section, and

4 (2) by adding at the end of subsection (a) the  
 5 following: “The person required by section 529(i) to  
 6 file a report regarding an individual medical savings  
 7 account at the time and in the manner required by  
 8 such section shall pay a penalty of \$50 for each fail-  
 9 ure unless it is shown that such failure is due to rea-  
 10 sonable cause.”.

11 (g) EXCLUSION FROM GROSS INCOME.—

12 (1) Part III of subchapter B of chapter 1 of  
 13 such Code (relating to items specifically excluded  
 14 from gross income) is amended by redesignating sec-  
 15 tion 136 as section 137 and by inserting after sec-  
 16 tion 135 the following new section:

17 **“SEC. 136. INDIVIDUAL MEDICAL SAVINGS ACCOUNT DIS-**  
 18 **TRIBUTIONS.**

19 “In the case of an individual, and except as is pro-  
 20 vided in section 529(d), gross income does not include  
 21 qualified distributions from an individual medical savings  
 22 account.”.

23 (2) The table of sections for such part III is  
 24 amended by striking out the item relating to section

1       136 and inserting in lieu thereof the following new  
2       items:

“Sec. 136. Individual medical savings account distributions.  
“Sec. 137. Cross references to other Acts.”.

3       (h) CONFORMING AMENDMENTS.—

4           (1) The table of parts for subchapter F of  
5       chapter 1 of such Code is amended by adding at the  
6       end thereof the following new item:

“Part VIII. Individual medical savings accounts.”.

7           (2) The table of sections for chapter 43 of such  
8       Code is amended by striking out the item relating to  
9       section 4973 and inserting in lieu thereof the follow-  
10      ing:

“Sec. 4973. Tax on excess contributions to individual retirement  
accounts, individual medical savings accounts, cer-  
tain 403(b) contracts, and certain individual retire-  
ment annuities.”.

11          (3) The table of sections for subchapter B of  
12      chapter 68 of such Code is amended by inserting “or  
13      on individual medical savings accounts” after “annu-  
14      ities” in the item relating to section 6693.

15      (i) EFFECTIVE DATE.—The amendments made by  
16      this section shall apply to taxable years beginning after  
17      December 31, 1993.

1 **SEC. 2. EMPLOYER CONTRIBUTIONS TO INDIVIDUAL MEDI-**  
 2 **CAL SAVINGS ACCOUNT NOT INCLUDED IN**  
 3 **INDIVIDUAL'S GROSS INCOME.**

4 (a) IN GENERAL.—Section 106 of the Internal Reve-  
 5 nue Code of 1986 (relating to contributions by employer  
 6 to accident and health plans) is amended by inserting “or  
 7 an employer-provided contribution to an individual medi-  
 8 cal savings account under section 529(b)(1)(F)” after  
 9 “health plan”.

10 (b) EFFECTIVE DATE.—The amendment made by  
 11 subsection (a) shall apply to taxable years beginning after  
 12 December 31, 1993.

13 **SEC. 3. QUALIFIED LONG-TERM CARE INSURANCE TREAT-**  
 14 **ED AS ACCIDENT AND HEALTH INSURANCE**  
 15 **FOR PURPOSES OF TAXATION OF LIFE INSUR-**  
 16 **ANCE COMPANIES.**

17 (a) IN GENERAL.—Section 818 of the Internal Reve-  
 18 nue Code of 1986 (relating to other definitions and special  
 19 rules) is amended by adding at the end thereof the follow-  
 20 ing new subsection:

21 “(g) QUALIFIED LONG-TERM CARE INSURANCE  
 22 TREATED AS ACCIDENT OR HEALTH INSURANCE.—For  
 23 purposes of this part—

24 “(1) IN GENERAL.—Any reference to accident  
 25 or health insurance shall be treated as including a  
 26 reference to qualified long-term care insurance.

1           “(2) QUALIFIED LONG-TERM CARE INSUR-  
 2       ANCE.—For purposes of this subsection, the term  
 3       ‘qualified long-term care insurance’ has the meaning  
 4       given such term by section 529(c)(3)(C).”.

5       (b) EFFECTIVE DATE.—The amendment made by  
 6       subsection (a) shall apply to taxable years beginning after  
 7       December 31, 1993.

8       **SEC. 4. QUALIFIED LONG-TERM CARE INSURANCE TREAT-**  
 9                               **ED AS ACCIDENT AND HEALTH INSURANCE**  
 10                              **FOR PURPOSES OF EXCLUSION FOR BENE-**  
 11                              **FITS RECEIVED UNDER SUCH INSURANCE**  
 12                              **AND FOR EMPLOYER CONTRIBUTIONS FOR**  
 13                              **SUCH INSURANCE.**

14       (a) IN GENERAL.—Section 105 of the Internal Reve-  
 15       nue Code of 1986 (relating to amounts received under ac-  
 16       cident and health plans) is amended by adding at the end  
 17       thereof the following new subsection:

18       “(j) SPECIAL RULES RELATING TO QUALIFIED  
 19       LONG-TERM CARE INSURANCE.—For purposes of section  
 20       104, this section, and section 106—

21               “(1) BENEFITS TREATED AS PAYABLE FOR  
 22       SICKNESS, ETC.—Any benefit received through quali-  
 23       fied long-term care insurance (as defined in section  
 24       529(c)(3)(C)) shall be treated as received for per-  
 25       sonal injuries or sickness.

1           “(2) EXPENSES FOR WHICH REIMBURSEMENT  
 2       PROVIDED UNDER QUALIFIED LONG-TERM CARE IN-  
 3       SURANCE TREATED AS INCURRED FOR MEDICAL  
 4       CARE.—Expenses incurred by a taxpayer for which  
 5       reimbursement is paid through qualified long-term  
 6       care insurance (as so defined) shall be treated for  
 7       purposes of subsection (b) as incurred for medical  
 8       care (as defined in section 213(d)).

9           “(3) REFERENCES TO ACCIDENT AND HEALTH  
 10      PLANS.—Any reference to an accident or health plan  
 11      shall be treated as including a reference to a plan  
 12      providing qualified long-term care insurance.”.

13      (b) EFFECTIVE DATE.—The amendment made by  
 14      subsection (a) shall apply to taxable years beginning after  
 15      December 31, 1993.

○

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